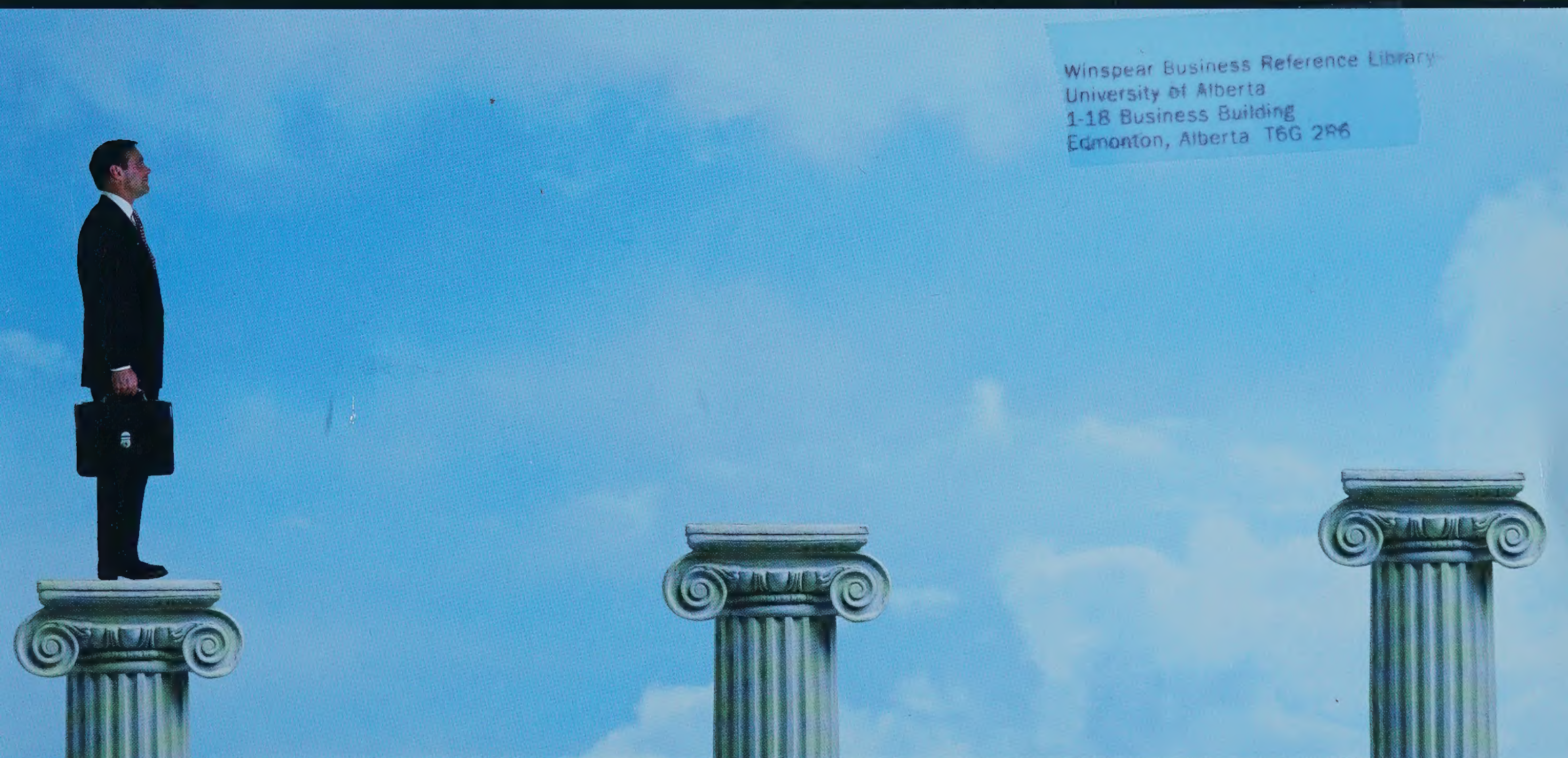
ANNUAL REPORT 2000



ANTHEM
PROPERTIES

CORPORATE PROFILE AND STRATEGY

Anthem Properties Corp. is a TSE listed real estate company with core businesses in retail property investment, development and management, and in industrial property development. It also holds a portfolio of owned or co-owned office and multi-family properties, and is in the process of divesting most of these properties.

Anthem's property portfolio as at December 31, 2000 consisted of: (a) 11 retail properties in British Columbia and Alberta with 976,411 square feet of rentable premises; (b) 14 office properties in British Columbia, Alberta, Ontario, Colorado, Arizona and Texas with 1,033,176 square feet of rentable premises; (c) three multi-family residential properties with a total of 486 units in Arizona and Texas; and (d) a 26,136 square foot parking lot located in Ontario. In addition, Anthem has a 50% interest in a 120 unit single family home development in Colorado.

Anthem also has economic and management interests in a further four office and retail properties in British Columbia and Arizona, eight multi-family residential properties in Arizona, Texas, New Mexico, and Louisiana, a single-family residential land development project in Colorado and a 22 acre industrial land development in British Columbia.

Business Strategy

To enhance shareholder value by focusing on fewer markets with fewer asset classes, finding value-added investment opportunities in these asset classes and markets, disposing of mature assets, providing liquidity to shareholders by buying back shares at discounts to net asset value and repaying debt.

ASSET DISPOSITION

By 1999 rental rates had risen in a number of Anthem's markets to the level at which new construction could be economically justified. As a result, new supply came on, generally matching the level of demand, and the growth in rental rates slowed down significantly. At the same time, there continued to be a high level of interest on the part of investors to purchase real estate. Based on these two factors, Anthem decided to start selling assets in markets where there was a meaningful amount of new construction and where there was good investor interest.

In early 1999, Anthem listed for sale all six of its multi-family buildings in Denver and Phoenix. One was sold in 1999, four were sold in early 2000 and one was sold in early 2001. The two remaining multi-family properties in Houston were listed for sale in late 2000 and one is presently under unconditional contract for sale. By the end of 2001 all of Anthem's multi-family properties will likely be sold.
The timing of the sale of each office building is tied to its leasing status. To maximize value, the vacant space has to be leased and near term lease expiries dealt with. In 2000, Anthem started selling its office buildings. One property in Phoenix was sold in late 2000. In early 2001, two office properties were sold: one in Phoenix and one in Calgary. The two remaining office properties in Phoenix have been listed for sale. In addition, one office building in Houston and two in Toronto have been listed for sale.

Anthem's surface parking lot in Toronto was sold in early 2001.

SHARE BUYBACKS

Anthem continued with the repurchase of its own shares in 2000, taking advantage of the discount in price as compared to net asset value per share, while at the same time providing liquidity to shareholders. In the first quarter, Anthem completed a substantial issuer bid whereby the Company purchased and cancelled 2,310,770 common shares at $5.65 per share. The Company also purchased and cancelled a further 163,500 common shares throughout the year, under a normal course issuer bid initiated in March 2000, at an average price of $5.15 per share.

Anthem intends to continue purchases under its normal course issuer bid in 2001.

REORGANIZING OPERATIONS INTO CORE BUSINESSES

Beginning in early 2000, the Company reorganized its operations focusing on three main businesses: Anterra Retail Properties Ltd. (a subsidiary formed to manage and grow Anthem's retail portfolio), the Anthem Investment Group and Anthem Industrial Ltd. (Anthem's industrial development subsidiary).

The objectives of each core business are as follows:

Anterra Retail Properties Ltd.: To become a leading owner, operator and developer of retail properties in western Canada, to re-tool existing retail assets, to selectively invest in other value-added opportunities created by the growing supply of dysfunctional retail properties in western Canada, and to develop new retail centres on a limited basis.

Anthem Investment Group: To own and manage the existing corporately owned and syndicated multi-family and office properties, to exploit niche real estate investment opportunities and to sell all but a few key corporately owned properties by the end of 2001.

Anthem Industrial Ltd.: To pursue unique industrial land development projects in Vancouver, British Columbia, financed by a combination of seed capital from Anthem and external capital generated on a project by project basis.

2000 SUMMARY AND PORTFOLIO

2000 FINANCIAL HIGHLIGHTS

For the years ended December 31, 2000 and 1999
(in dollars, except number of properties and shares outstanding)

	2000	1999
Rental Revenues	36,030,000	41,618,000
Property and Asset Management Fees	2,862,000	3,173,000
Cash Flow From Operations	6,093,000	8,683,000
Cash Flow Per Share (Basic)	1.44	1.17
Cash Flow Per Share (Fully diluted)	1.32	1.11
Net Income	8,687,000	4,568,000
Net Income Per Share (Basic)	2.06	0.62
Net Income Per Share (Fully diluted))	1.86	0.60
Properties	223,219,000	278,869,000
Number of Corporately-owned Properties	30	35
Shareholders' Equity (as at year end)	59,089,000	61,528,000
Shares Outstanding (as at year end)	3,848,173	6,322,443
Weighted Average Shares Outstanding	4,218,095	7,415,615

2000 IN SUMMARY

PROPERTY ACTIVITY

- Completed the redevelopment and lease-up of a 188,000 square foot office property in downtown Toronto.
- Sold three multi-family properties in Denver and one multi-family property in Phoenix, totaling 891 units, and a 16,000 square foot office property in Phoenix.

LEASING ACTIVITY

Negotiated:

- 19,160 square feet in new retail leases
- 60,732 square feet in renewed retail leases
- 184,000 square feet in new office leases
- 99,162 square feet in renewed office leases

OCCUPANCY

- Retail: 95%
- Office: 90%
- Multi-family: 95%

SYNDICATIONS

- Sold three syndicated properties generating disposition fees of $759,000 and carried interests of $1,705,000.

COMMON SHARE PURCHASES

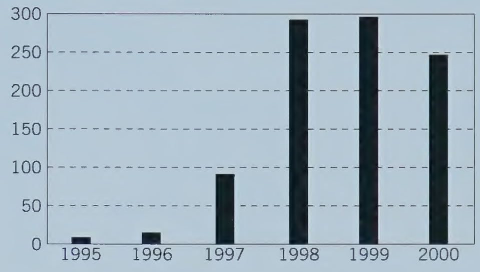
Substantial issuer bid — February 8, 2000

- Purchased 2,310,770 common shares at $5.65 per share.

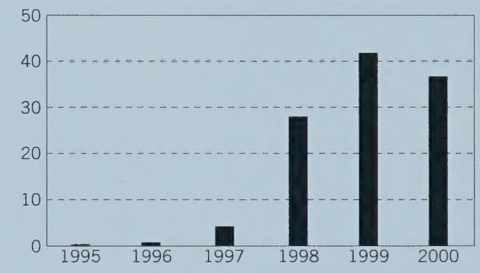
Normal course issuer bid—March 14, 2000 to December 31, 2000

- Purchased 163,500 common shares at an average price of $5.15 per share.

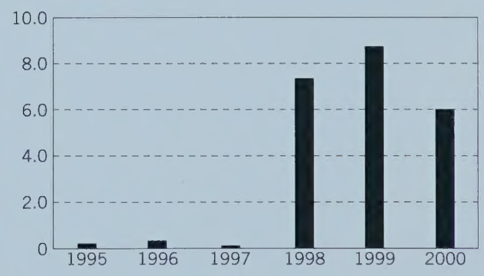
TOTAL ASSETS
($ millions)



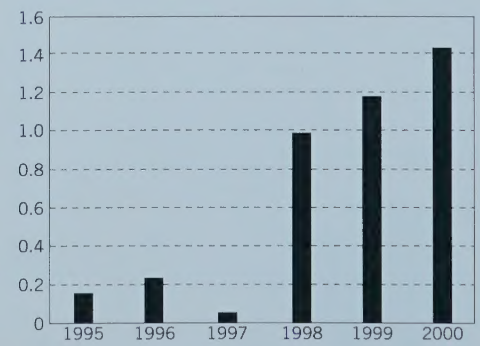
RENTAL REVENUES
($ millions)



CASH FLOW
($ millions)



CASH FLOW PER SHARE
($)



CORPORATE PORTFOLIO

RETAIL GROUP

Property	Location	% Ownership	Leasable Area (sq. ft.)	Occupancy (Dec 00)	Major Tenants
Newton Town Centre	Vancouver	100%	99,378	89%	Safeway, The Bank of Nova Scotia, Rogers Video, Mac's Convenience
Market Square	Victoria	100%	91,927	96%	BCBC, Tommy Bahamas Grill, Ocean River Sports, Sweetwaters
Sunnycrest Mall	Gibsons	100%	78,375	97%	Super Valu, Royal Bank, CIBC, Pharmasave, BC Liquor Store, Bata Athlete's World
College Heights Plaza	Prince George	100%	76,480	100%	Overwaitea, SAAN, BC Liquor Store, Petro Canada, TD Bank
Coach House Square	100 Mile House	100%	66,409	96%	Overwaitea, SAAN, Williams Lake Credit Union, A&W, KFC
Northport Plaza	Port Alberni	100%	35,378	100%	Buy Low Foods, BC Liquor Store
Dollarton Village	Vancouver	41%	14,822	84%	Super Valu, BC Liquor Store, Royal Bank, Starbucks
Parks West Mall	Hinton	100%	137,588	92%	Wal-Mart, Safeway, Ricki's, Bootlegger, Reitmans, Bata Athlete's World
Heritage Hill Plaza	Calgary	100%	165,794	95%	Winners, House of Tools, Russell Sporting Goods, XS Cargo, Auto Valu, Work World
Delta Shoppers Mall	Delta	100%	186,721	94%	Extra Foods, Zellers, TD Bank, SAAN
Coach Hill Plaza	Calgary	100%	23,539	100%	7-11, Shell Oil, Dance Spectrum, Schooner's Pub
			976,411	95%	

INVESTMENT GROUP

OFFICE

Property	Location	% Ownership	Leasable Area (sq. ft.)	Occupancy (Dec 00)	Major Tenants
611 Alexander	Vancouver	50%	172,979	96%	William Switzer, West Coast Apparel, Aritzia, Tritex Fabrics, Simon Fraser University
1333 West Georgia	Vancouver	100%	136,079	100%	Westcoast Energy
Mayfield Square I	Edmonton	100%	43,001	72%	Jayman Homes, Creditel Canada, First National Properties, Yvonne's Furniture
Centurion Plaza	Edmonton	100%	39,190	97%	Ford Credit Canada, Foster Park Baskett Ins., Alberta New Home Warranty Program
Mayland (1)	Calgary	100%	58,560	100%	Altrom Canada Corp., Trispec Communications, Vital-Aire
415 Yonge	Toronto	100%	188,052	91%	Collectcorp, Ryerson Polytechnical Institute, Ontario Government
3310 South Service Rd.	Toronto	100%	76,016	100%	Cango Gas, Kardon United Corp., Abel Computers, EC Webworks
3385 Harvestor	Toronto	100%	38,841	75%	KPM Industries, South Western Group
Champa Center	Denver	100%	57,367	83%	U.S. Govn't General Services Administration, McGuire Research, Payless Shoe Source
North Bank Office Building	Phoenix	100%	31,286	70%	Republic Indemnity, Camp Fire Boys & Girls
16th Place	Phoenix	100%	25,147	81%	Health Source Corp, Ford Schools, Zimmer Baker Associates
727 Bethany (1)	Phoenix	100%	24,666	94%	Evans Kuhn & Associates, Dental Associates
Woodway	Houston	100%	66,702	86%	McGuyer Homebuilders, Temple-Inland Mortgage, Perot Systems
Augusta	Houston	100%	75,290	73%	Andrews Group International, KRJ Mgmt, Aimco, Ken R. Harry Assoc.
			1,033,176	90%	

MULTI-FAMILY

Property	Location	% Ownership	Leasable Area (sq. ft.)	Occupancy (Dec 00)	Units	Description
Dunlap Square Apts. (1)	Phoenix	100%	148,412	92%	192	14 two-storey apartment buildings
Spring Lake Apts.	Houston	100%	143,936	99%	208	13 two-storey garden-style apartment buildings
Spring Lake Townhomes	Houston	100%	94,070	93%	86	8 two-storey garden-style apartment buildings
			386,418	95%	486	

OTHER

Property	Location	% Ownership	Leasable Area (sq. ft.)	Occupancy (Dec 00)	Description
75 The Esplanade (1)	Toronto	100%	n/a	n/a	26,136 sq. ft. surface parking lot
Ashcroft Homes	Denver	50%	n/a	n/a	120 single-family home subdivision

SYNDICATED PORTFOLIO

RETAIL

Property	Location	Leasable Area (sq.ft.)
Waneta Plaza	Trail, BC	186,325

OFFICE

Property	Location	Leasable Area (sq.ft.)
Lincoln Center	Phoenix, AZ	91,803
Scottsdale Executive Villas	Phoenix, AZ	157,804
Queen's Court	Vancouver, BC	79,758
		329,365

MULTI-FAMILY

Property	Location	Leasable Area (sq.ft.)	Units
Villa Marbella Apts.	Phoenix, AZ	152,621	183
Shadow Mountain Villas	Phoenix, AZ	222,963	265
Desert Shadows Apts.	Phoenix, AZ	274,351	338
Spring Park Apts.	El Paso, TX	137,888	180
Whispering Pines Apts.	El Paso, TX	200,616	264
Park Place Apts.	Las Cruces, NM	226,392	282
Chenault Creek Apts.	New Orleans, LA	334,800	312
Park du Lac Apts.	New Orleans, LA	203,280	272
		1,752,911	2,096
Total Leasable Area – Syndicated		2,268,601	

LAND DEVELOPMENTS

Property	Location	Original No. of Lots	Lots Remaining
Castle Pines (single-family)	Denver, CO	295	21
5600 Thorne (Industrial)	Burnaby, BC	4	4

(1) Properties sold subsequent to year end

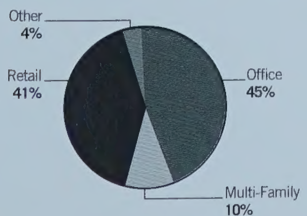
PREVIOUSLY OWNED PROPERTIES

Property	Type	Location	Leasable Area (sq.ft.)	Units	Year Sold
42nd Place	Office	Phoenix, AZ	16,145	-	2000
Oak Ridge Apts.	Multi-family	Denver, CO	392,930	472	2000
Creekside Meadows	Multi-family	Denver, CO	149,749	165	2000
Peakview Pointe Apts.	Multi-family	Denver, CO	69,456	73	2000
Willowtree Apts.	Multi-family	Phoenix, AZ	171,350	181	2000
Aspen Towers	Multi-family	Denver, CO	91,758	99	1999
			891,388	990	

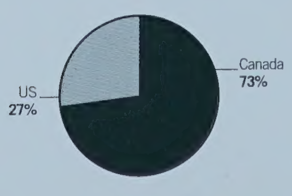
PREVIOUSLY SYNDICATED PROPERTIES

Property	Type	Location	Leasable Area (sq.ft.)	Units	Lots	Year Sold
Paradise Medical and Corporate Plaza	Office	Phoenix, AZ	59,844	-	-	2000
Barrington Court	Office	Alameda, CA	82,000	-	-	1999
1201 Harbor Bay	Office	Alameda, CA	60,924	-	-	1997
Harbor Bay Tech Center	Office	Alameda, CA	69,875	-	-	1999
Southgate Center	Retail	Denver, CO	131,603	-	-	1999
Sunrise Village	Retail	Denver, CO	103,859	-	-	2000
Conifer Landing	Multi-family	Denver, CO	207,035	224	-	1999
Sherman Square	Multi-family	Denver, CO	22,638	28	-	1997
Tatum Place	Multi-family	Phoenix, AZ	131,820	164	-	2000
Broadway Village	Multi-family	Phoenix, AZ	108,279	155	-	1999
Catalina Apts.	Multi-family	Las Vegas, NV	251,976	321	-	1999
Woodside Apts.	Multi-family	Las Vegas, NV	251,972	316	-	1999
Saratoga Apts.	Multi-family	Atlanta, GA	330,356	284	-	2000
Mission Springs Apts.	Multi-family	Ontario, CA	336,640	368	-	1996
Mission Villas Apts.	Multi-family	Ontario, CA	336,640	368	-	1996
Clover Creek	Land devlp.	Denver, CO	-	-	340	1998
South Clover	Land devlp.	Denver, CO	-	-	1	1998
			2,485,461	2,228	341	

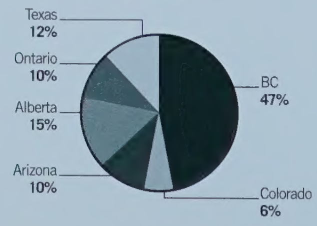
PORTFOLIO BY PROPERTY TYPE
(based on Dec. 31/00 Book Value)



PORTFOLIO BY COUNTRY
(based on Dec. 31/00 Book Value)



PORTFOLIO BY REGION
(based on Dec. 31/00 Book Value)



REPORT TO SHAREHOLDERS

Anthem continued to evolve in 2000. Operationally we met or exceeded expectations and strategically we continued to adapt with the times.

Highlights for 2000 include:

- Increased cash flow per share by $0.27, a 23.1% improvement over 1999.
- Sold four corporately held multi-family properties and one office property for an after-tax gain of $6.9 million.
- Purchased and cancelled 2,310,770 common shares at $5.65 per share under the January 2000 substantial issuer bid and purchased and cancelled a further 163,500 common shares throughout the year at an average of $5.15 per share under the normal course issuer bid.
- Sold three syndicated assets generating pre-tax disposition fees and carried interest income of $2.5 million.
- Established Anterra Retail Properties Ltd. through which all the Company's retail property activity is conducted.

This evolution continued into 2001, as subsequent to the year end Anthem:

- Through Anterra Retail Properties Ltd., purchased a 17.1 acre development site in Langley, BC for $10.7 million and commenced the construction of Langley Power Centre, a 225,000 square foot retail project.
- Through Anthem Industrial Ltd., purchased an 86 acre industrial development site in Burnaby, BC.
- Sold four revenue-producing properties in Ontario, Alberta and Arizona for gross proceeds of $25.5 million.

These initiatives continued a process that began in 1999, whereby we shifted our focus from growth through acquisitions and successive equity issues, to one of disposing of mature assets, providing liquidity to shareholders by buying back shares at discounts to net asset value and refocusing operations in fewer markets and fewer asset classes—retail in BC and Alberta and industrial land development in Vancouver.

ASSET DISPOSITIONS

Our asset disposition program, which was initiated in mid 1999, is proceeding as planned. We sold four corporately held multi-family properties totaling 891 units in Denver and Phoenix in the first quarter of 2000 and a 16,000 square foot office property in Phoenix later in the year. In early 2001, we sold a 25,000 square foot office property and a 192 unit multi-family property in Phoenix, a 55,000 square foot office property in Calgary and a 26,000 square foot surface parking lot in Toronto.

This program continues. Of the Company's two remaining corporately owned multi-family properties one is presently under unconditional contract for sale and the other is currently listed for sale. In addition, in the Company's office portfolio, five properties are listed for sale. With the exception of a few key properties, the Company intends to list and sell all its office properties by the end of 2001.

SHARE BUYBACKS

Our share buyback program continued in 2000. In January 2000 we completed a substantial issuer bid whereby the Company purchased and cancelled 2,310,770 common shares at $5.65 per share. The Company also purchased and cancelled a further 163,500 common shares throughout the year under a normal course issuer bid at an average price of $5.15 per share.

Since the buyback program began in early 1999, the Company has repurchased a total of 5,151,827 common shares up to December 31, 2000, leaving 3,848,173 common shares outstanding at the end of 2000. These purchases were financed with a combination of bridge loans and corporate cash. The bridge loans were repaid with the net proceeds of property sales in 2000 and early 2001.

STRATEGIC PURCHASES

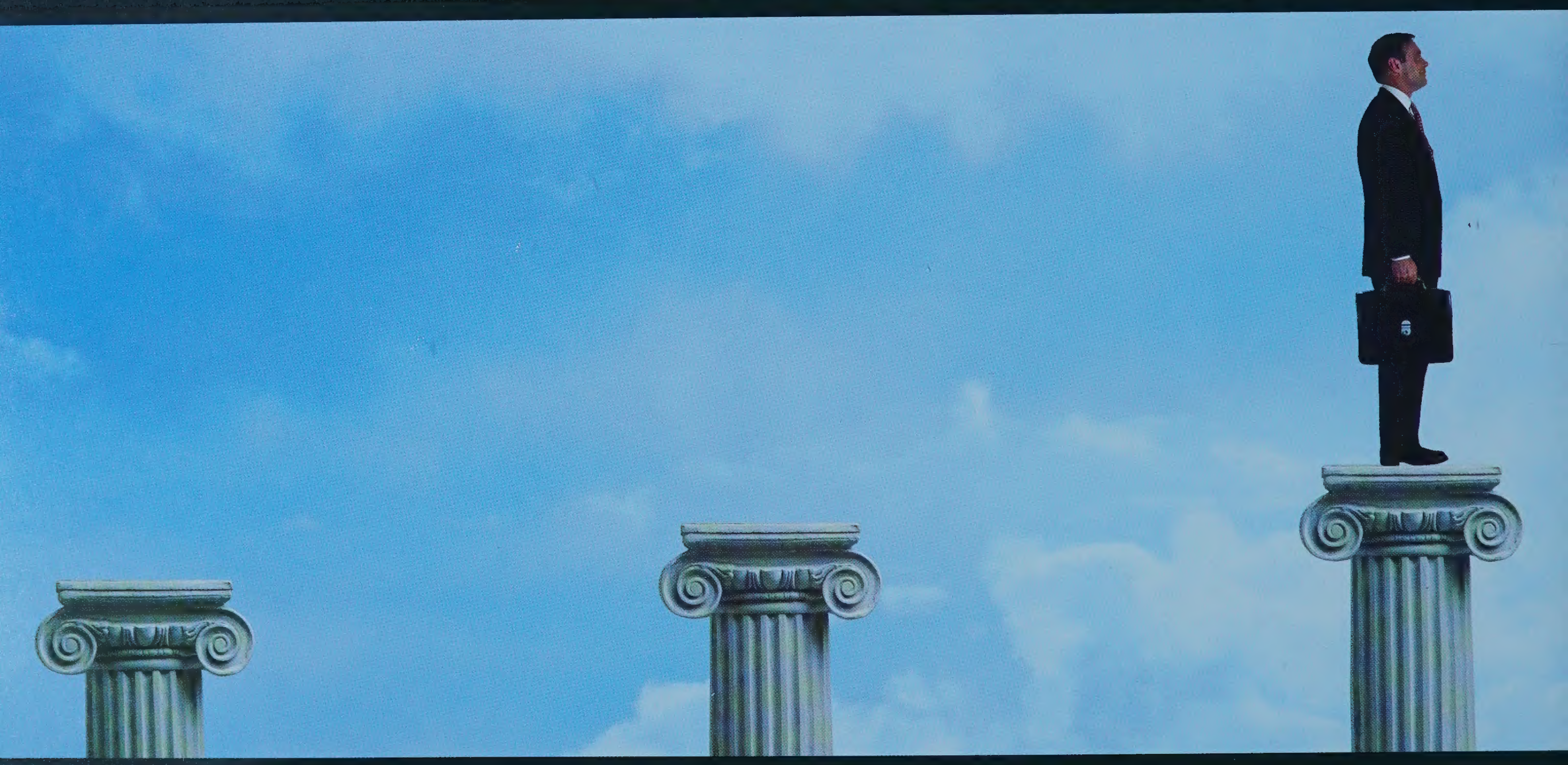
Although Anthem did not purchase any new properties in 2000, the Company did undertake two significant strategic purchases in early 2001.

In January 2001, Anthem, through its newly established subsidiary Anterra Retail Properties Ltd., completed the purchase of a 17.1 acre development site in Langley, BC for $10.7 million and commenced the construction of Langley Power Centre, a 225,000 square foot retail project. The property is well located, is already 70% pre-leased, and will be completed in early 2002. This project complements our existing retail portfolio while at the same time enhancing and building on our development capabilities.

In February 2001, Anthem completed the purchase of an 86 acre industrial development site in Burnaby, BC. The property is centrally located in a comprehensively planned industrial park. The property has recently been zoned for the development of a total of 1.9 million square feet of industrial space, and development and servicing has commenced.

THE YEAR AHEAD

In 2001 Anthem will continue with its strategy of selling its mature office and multi-family assets in outlying markets. We will use the proceeds to pay down debt and buy back shares. We will focus our growth on value-added



opportunities predominantly in western Canada through Anterra Retail Properties Ltd. and Anthem Industrial Ltd. We will operate our remaining non-core corporate and syndicated assets with dedication and entrepreneurial flair through our Investment Group.

While Anthem has experienced increasing cash flow from operations per share in each of the last three years, Anthem expects this trend to reverse somewhat in 2001. The expected decrease in cash flow from operations per share will largely result from the following factors:

- The reduction in net rental revenue as a result of the sale of a number of the Company's office and multi-family assets.
- The completion of the Company's single-family land development and home building activities in Denver, Colorado. In the last two years the Company earned $2.5 million from this activity, which contributed an average of $0.23 per share of pre-tax operating income in each of the last two years.
- The increase in retail and industrial development activities in 2001. Income from these new development activities will likely not commence until 2002.
- The reduction in management fees from syndicated assets as a result of the sale of a number of syndicated properties.
- The capital base of the Company has declined as a result of asset sales and the Company's share buyback program, but there has not been a proportionate decrease in corporate overhead, as the Company has a number of fixed costs.

This anticipated decrease in Anthem's operational cash flow per share in 2001 is mainly the result of strategic initiatives put into place to refocus operations and to lay the groundwork for the future. While a decrease in cash flow per share from 2000 to 2001 is likely, we are confident that our upward trend will resume in 2002.

FINAL NOTE

Anthem continues to succeed in confusing times. Both operationally and strategically we continue to be nimble.

We continued our consolidation strategy in 2000, selling mature office and multi-family assets throughout the year and investing the proceeds in the repurchase of our own shares at prices below the underlying net asset value per share. By extension, we are now focusing on fewer asset classes closer to home through Anterra Retail Properties Ltd. and Anthem Industrial Ltd. This evolution continued into 2001 with two strategic purchases: a 17 acre retail development site in Langley BC and an 86 acre industrial site in Burnaby BC.

Anthem Properties continues to balance the need for focus with the need for flexibility, and has, as its overall goal, the manifestation of value for its shareholders. We look forward to continued success in the years to come.

Eric H. Carlson, C.A.
President and Chief Executive Officer

May 1, 2001

Sunnycrest Mall, Gibsons, BC

Market Sqaure, Victoria, BC

Northport Plaza, Port Alberni, BC

College Heights Plaza, Prince George, BC

Newton Town Centre, Vancouver, BC

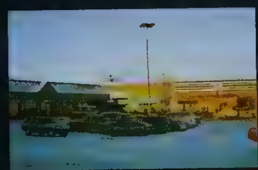
Coach House Square, 100 Mile House, BC

Langley Power Centre—Anterra's 225,000 square foot retail development in Langley, BC.

Parks West Mall, Hinton, Alberta

Heritage Hill Plaza, Calgary, Alberta

Dollarton Village, Vancouver, BC



Coach Hill Plaza, Calgary, Alberta

Delta Shoppers Mall, Delta, BC

Anthem's retail group had a productive and busy 2000.

During the year, the retail group added a Chief Operating Officer, a Vice President of Leasing, and a Vice President of Development. These individuals brought with them extensive experience in the development and redevelopment of retail centres allowing us to add value to our existing portfolio and to find opportunities for new retail developments.

This was followed by the establishment of Anterra Retail Properties Ltd., a subsidiary formed to own, manage and grow Anthem's existing retail portfolio, as well as to manage Anthem's syndicated retail assets. Anterra intends to aggressively grow this portfolio through the redevelopment of its existing properties and through the acquisition and development of new properties.

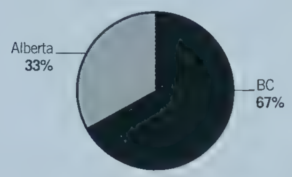
This exciting group combines the entrepreneurial spirit of Anthem with a dynamic, results-oriented management team. The Anterra team has broad experience in all facets of acquiring, developing, managing, leasing and financing retail centres in western Canada, and maintains excellent tenant relationships with national, regional and local retailers.

Anterra is actively pursuing a number of value-added opportunities including redeveloping some of its existing portfolio, acquiring and redeveloping dysfunctional retail centres and developing new retail centres.

Anterra

RETAIL PROPERTIES LTD.

RETAIL PORTFOLIO BY REGION
(Square Feet)



RETAIL PORTFOLIO BY REGION
(Book Value)

In January 2001 Anterra acquired a 17 acre site in Langley, BC and commenced development of a 225,000 square foot retail centre. Major tenants include: Michaels, Future Shop, Office Depot, Olive Garden and Winners Home Sense. The project will combine traditional big box hard goods retailers and junior box fashion tenants and is the first of its type in BC. The project is scheduled for completion in early 2002.

Anterra is set to commence the redevelopment of Northport Plaza, a 35,000 square foot strip centre in Port Alberni, BC. The property is anchored by a 22,800 square foot Buy-Low Foods and a 5,000 square foot BC Liquor Store, and is located on Johnston Road (Highway 4), which is the main highway between Nanaimo and Vancouver Island's west coast, including Tofino and Ucluelet. Anterra will improve the look and layout of the centre and expand it by replacing a 2,500 square foot section of the building with a newly constructed 7,400 square foot pad building, by renovating the retail storefronts, and by constructing new tenant signage. Construction will take place during the summer of 2001.

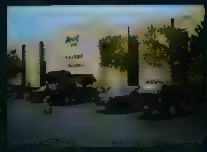
Anthem is excited about the prospects for its new retail subsidiary. The existing portfolio has steady income and occupancy levels, while at the same time, new development and redevelopment initiatives create the potential for value-added growth. This bodes well for an exciting and rewarding future.

ANTHEM'S CORPORATELY-OWNED RETAIL PORTFOLIO

REGION	NUMBER OF PROPERTIES	NET RENTABLE AREA (SQ. FT.)	PERCENTAGE OF PORTFOLIO (BY SQ. FT.)	OCCUPANCY DEC 31, 2000
BC	8	649,490	67%	94%
Alberta	3	326,921	33%	95%
Total	11	976,411	—	95%


Spring Park Apartments, El Paso, Texas


Desert Shadows Apts., Tucson, Arizona


3385 Harvester, Toronto, Ontario


Park Place Apts., Las Cruces, New Mexico


3310 South Service Rd., Toronto, Ontario


1800 Augusta, Houston, Texas


Scottsdale Executive Villas, Phoenix, Arizona


Champa Center, Denver, Colorado


415 Yonge Street—A 188,000 square foot office building in Toronto, Ontario which had less than 50% occupancy in 1998 and now has over 98% occupancy.


Villa Marbella Apartments, Phoenix, Arizona

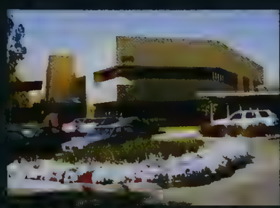

Lincoln Center, Phoenix, Arizona


1333 West Georgia, Vancouver, BC


611 Alexander, Vancouver, BC


7676 Woodway, Houston, Texas


Queen's Court, New Westminster, BC


North Bank Office Building, Phoenix, Arizona

Anthem's investment portfolio is comprised of multi-family and office properties. In most of its markets new construction has served to limit rental rate growth and, as a result, returns have flattened. Anthem has therefore decided to sell the majority of its office and multi-family properties.

As of December 31, 2000 Anthem's investment portfolio consisted of three multi-family properties with 486 units, 14 office buildings with 1.0 million square feet of rentable area, and one surface parking lot.

During 2000, four multi-family properties were sold. Since the beginning of 2001, one multi-family property has been sold and two multi-family properties have been listed for sale, of which one is under contract to be sold. It is anticipated that all corporately owned multi-family properties will be sold by the end of 2001.

Since the beginning of 2001, two office properties have been sold and five more office properties have been listed for sale. In addition, the surface parking lot located in Toronto, Ontario was sold in early 2001. With the exception of 415 Yonge, Champa Center, the Westcoast Energy Building and 611 Alexander, all other office buildings are targeted to be sold by the end of 2001.

As Anthem's investment portfolio shrinks, personnel will be reallocated within the Anthem Group.

The Investment Group also has an ownership interest in, and manages, a number of syndicated properties. As of December 31, 2000, the syndicated portfolio consisted of eight multi-family properties with 2,096 units and three office buildings with 324,000 square feet of rentable area. In 2000, one office property and two multi-family properties were sold. Additional properties will be sold over the next few years as market conditions warrant and as the investment objectives of each of the partnerships are met.

Occupancies throughout the investment portfolio continue to be stable. As of December 31, 2000, the average occupancy in the corporately owned multi-family properties was 95%, and in the office buildings it was 90%. In early 2001, a number of new office leases were concluded which increased the occupancy to 92%.

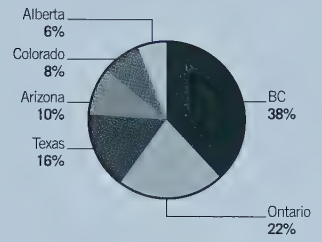
During 2000, and to date in 2001, a number of significant leasing transactions were concluded. At 415 Yonge Street in downtown Toronto, net rental rates have tripled since the property was purchased in early 1998. In the last nine months, over 40,000 square feet has been leased to the Ontario Provincial Government, solidifying the building's occupancy at 98% and improving the quality of the tenant base.

In the Mayland building in Calgary, the largest tenant went bankrupt in mid 2000. Within two months the space was re-leased at a rental rate 40% higher than that of the previous tenant. The project was 100% leased, was listed for sale and sold in early 2001.

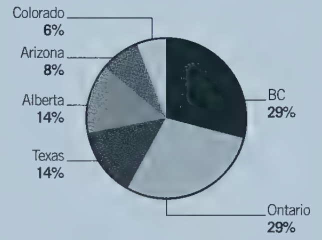
At 7676 Woodway in Houston, an additional 5,000 square feet was leased in mid 2000 to the building's largest tenant. As well, in early 2001, an early renewal was concluded with the second largest tenant at a rate 50% higher than the previous rate, and another 6,000 square feet was leased to a new, rapidly growing tenant. The property is currently listed for sale.

In summary, Anthem's investment properties continue to perform well. While property dispositions will remain a key focus in 2001, the Investment Group will continue maximizing the income potential of existing assets.

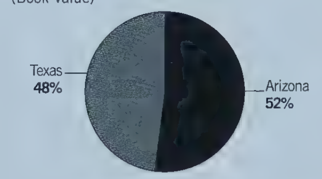
OFFICE PORTFOLIO BY REGION
(Book Value)



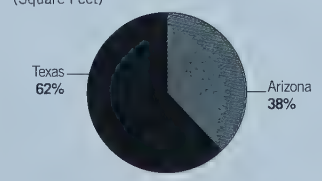
OFFICE PORTFOLIO BY REGION
(Square Feet)



MULTI-FAMILY PORTFOLIO BY REGION
(Book Value)



MULTI-FAMILY PORTFOLIO BY REGION
(Square Feet)



ANTHEM'S CORPORATELY-OWNED OFFICE PORTFOLIO

REGION	NUMBER OF PROPERTIES	NET RENTABLE AREA (SQ. FT.)	PERCENTAGE OF PORTFOLIO (BY SQ. FT.)	OCCUPANCY DEC 31, 2000
Vancouver	2	309,058	30%	98%
Calgary	1	58,560	6%	100%
Edmonton	2	82,191	8%	84%
Toronto	3	302,909	29%	91%
Denver	1	57,367	6%	83%
Phoenix	3	81,099	8	81%
Houston	2	141,992	14%	79%
Total	14	1,033,176	—	90%

ANTHEM'S CORPORATELY-OWNED MULTI-FAMILY PORTFOLIO

REGION	NUMBER OF PROPERTIES	NET RENTABLE AREA (SQ. FT.)	PERCENTAGE OF PORTFOLIO (BY SQ. FT.)	OCCUPANCY DEC 31, 2000
Phoenix	1	148,412	38%	92%
Houston	2	238,006	62%	97%
Total	3	386,418	—	95%

The Big Bend area of Burnaby, BC.

Anthem Industrial continued to make progress in 2000. Formed in early 1999, Anthem Industrial's objective is to acquire well located, undeveloped land in greater Vancouver which, due to unique development issues, is underpriced relative to the surrounding market.

In 2000, Anthem Industrial continued the development of 5600 Thorne Street in Burnaby, BC, a syndicated project. Predevelopment work on the 22 acre site was completed in 2000, and servicing is scheduled for completion in the summer of 2001. Anthem Industrial has 10 acres under conditional contract for sale and anticipates selling the remaining 12 acres over the next 18 months.

In early 2001, Anthem Industrial completed the purchase of an 86 acre development site in Burnaby, BC. The property is located in the Big Bend area of Burnaby, BC, a centrally located comprehensively planned industrial park which is experiencing high growth. The property has recently been zoned for the development of a total of 1.9 million square feet of industrial space, and Anthem Industrial has commenced development and servicing.

Anthem Industrial also continues to pursue other industrial development opportunities.

In total, Anthem Industrial has acquired over 100 acres in greater Vancouver. Anthem Industrial looks forward to continuing improvements in the BC economy and to meeting part of the pent up demand for industrial land that has been growing over the past three or four years.

FINANCIAL STATEMENTS

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Anthem Properties Corp. as at December 31, 2000 and 1999 and the consolidated statements of income and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2000 and 1999 and the results of its operations its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles. As required by the Company Act (British Columbia), we report that, in our opinion, except for the change in the method of accounting for income taxes as explained in note 2(m) to the consolidated financial statements, these principles have been applied on a consistent basis.

KPMG LLP

Chartered Accountants
Vancouver, Canada
February 16, 2001

RESPONSIBILITY OF MANAGEMENT

The Annual Report, including the Consolidated Financial Statements, is the responsibility of management of the Corporation. Management's Consolidated Financial Statements have been prepared in accordance with generally accepted accounting principles as prescribed by The Canadian Institute of Chartered Accountants and conform substantially with the recommendations of the Canadian Institute of Public Real Estate Companies in all material respects. Financial information contained elsewhere in the Report is consistent with the information contained in the financial statements.

Management maintains a system of internal controls, that provides reasonable assurance that the assets of the Corporation, its subsidiaries and joint ventures are safeguarded. These controls also facilitate the preparation of relevant, timely and reliable financial information that reflects, where necessary, management's best estimates and judgments based on informed knowledge of the facts.

The Corporation's external auditors, KPMG LLP, have performed an independent audit of the Consolidated Financial Statements.

The audit committee of the board of directors of the Corporation has reviewed the Consolidated Financial Statements with management and the external auditors, KPMG LLP, and recommended their approval by the board of directors. The auditors have full access to the audit committee, with and without management being present.

Eric H. Carlson, C.A.
President and
Chief Executive Officer

David Ferguson
Vice-President and
Chief Financial Officer

CONSOLIDATED BALANCE SHEETS

Years ended December 31, 2000 and 1999

	2000	1999
ASSETS		
Properties:		
Revenue-producing (note 3)	$ 219,010,089	$ 261,652,122
Properties under development (note 4)	4,209,506	17,217,316
	223,219,595	278,869,438
Cash and cash equivalents	5,907,801	8,152,995
Amounts and loans receivable (note 5)	3,937,914	2,487,424
Other assets (note 6)	6,409,488	5,536,044
Future income taxes (note 11)	5,801,723	–
	$ 245,276,521	$ 295,045,901
LIABILITIES AND SHAREHOLDERS' EQUITY		
Debt on real estate assets (note 7)	$ 148,138,099	$ 196,065,241
Amounts payable (note 8)	8,804,424	9,577,072
Loans and debentures payable (note 9)	22,705,280	25,489,230
Deferred income taxes	–	2,386,518
Future income taxes (note 11)	6,539,440	–
	186,187,243	233,518,061
Shareholders' equity (note 10)	59,089,278	61,527,840
	$ 245,276,521	$ 295,045,901

Commitments (note 13)

Subsequent events (note 16)

See accompanying notes to consolidated financial statements.

Approved by the Board:

Eric Carlson, Chairman

Terry Holland, Director

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

Years ended December 31, 2000 and 1999

	2000	1999
Rental revenue and cost recoveries	$ 36,029,599	$ 41,618,019
Rental expenses:		
Property operating costs and taxes	15,013,070	15,942,217
Interest	12,253,311	14,239,307
Depreciation	2,644,571	2,206,448
	29,910,952	32,387,972
Rental income	6,118,647	9,230,047
Real estate sales:		
Sales	11,298,101	9,814,343
Cost of sales	9,975,291	8,523,408
	1,322,810	1,290,935
Fees and other income:		
Property and asset management fees	2,862,048	3,173,340
Interest and other	2,655,598	1,454,005
	5,517,646	4,627,345
	12,959,103	15,148,327
Operating expenses:		
General and administrative	2,735,888	2,716,611
Property and asset management	1,943,200	2,195,990
Amortization	121,927	135,601
Interest	3,204,375	3,024,870
Capital taxes	343,368	339,052
	8,348,758	8,412,124
Income from operations	4,610,345	6,736,203
Other income (expense):		
Gain on sale of revenue-producing properties	11,494,003	1,235,976
Foreign exchange loss	(19,029)	(41,298)
Income before income taxes	16,085,319	7,930,881
Provision for income taxes (note 11)	7,397,759	3,362,147
Net income	8,687,560	4,568,734
Retained earnings, beginning of year, as previously reported	6,291,026	1,722,292
Adjustment to reflect change in accounting for income taxes (note 2(m))	1,307,284	–
As restated	7,598,310	1,722,292
Retained earnings, end of year	$ 16,285,870	$ 6,291,026
Earnings per share (note 10(d)):		
Basic	$ 2.06	$ 0.62
Fully diluted	1.86	0.60

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2000 and 1999

		2000		1999
Cash provided by (used in):				
Operations:				
Net income	$	8,687,560	$	4,568,734
Adjustments for:				
Depreciation and amortization		2,766,498		2,342,049
Amortization of deferred financing costs		742,114		1,199,828
Gain on sale of revenue-producing properties net of tax of $4,555,073 (1999 - $469,128)		(6,938,930)		(766,848)
Foreign exchange loss		19,029		41,298
Deferred income taxes		–		1,298,550
Future income taxes		816,483		–
Funds from operations		6,092,754		8,683,611
Recovery of costs through real estate sales		9,975,291		8,523,408
Acquisitions and development of properties for sale		(9,345,720)		(9,301,109)
Changes in non-cash operating working capital (note 15)		(5,846,580)		1,476,623
		875,745		9,382,533
Investments:				
Additions to revenue-producing properties		(4,086,142)		(5,238,459)
Proceeds from sale of revenue-producing properties, net of costs		32,562,611		3,320,397
Additions to revenue-producing property under development		(738,776)		(2,390,896)
Advances from loans receivable		(2,177,075)		(600,000)
Repayment of loans receivable		1,554,200		769,099
Purchase of investment		(500,000)		–
Capital asset expenditures		(51,100)		(77,551)
Increase (decrease) in accounts payable for revenue-producing properties under development		(800,277)		550,289
Increase in deferred costs		(2,551,199)		(611,700)
		23,212,242		(4,278,821)
Financing:				
Proceeds from debt on real estate assets		3,132,971		12,154,328
Repayment of debt on real estate assets		(13,498,975)		(11,560,462)
Redemption of common shares		(14,109,968)		(13,630,287)
Proceeds from loans payable		29,570,000		12,644,898
Repayment of loans payable		(32,353,950)		(3,090,948)
Proceeds from debentures		–		1,316,500
Decrease in funds held in escrow		926,741		533,787
		(26,333,181)		(1,632,184)
Increase (decrease) in cash and cash equivalents		(2,245,194)		3,471,528
Cash and cash equivalents, beginning of year		8,152,995		4,681,467
Cash and cash equivalents, end of year	$	5,907,801	$	8,152,995
Funds from operations, per share:				
Basic	$	1.44	$	1.17
Fully diluted		1.32		1.11

Supplementary information (note 15)

See accompanying notes to consolidated financial statements.

1. BUSINESS COMBINATION AND BASIS OF PRESENTATION:

Anthem Properties Corp. (the "Company") was incorporated on July 18, 1997 and is engaged in the ownership, development, and management of commercial and residential real estate properties.

2. SIGNIFICANT ACCOUNTING POLICIES:

(a) General:

The Company's accounting policies and its standards of financial disclosure are in accordance with the recommendations of the Canadian Institute of Chartered Accountants and the Canadian Institute of Public Real Estate Companies.

(b) Principles of consolidation:

The consolidated financial statements include:

(i) the accounts of the Company and its subsidiaries; and

(ii) the accounts of joint ventures to the extent of the Company's aproportionate interest in each of the joint ventures' respective assets, liabilities, revenues and expenses.

All significant intercompany balances and transactions have been eliminated.

(c) Properties:

(i) Revenue-producing properties:

Revenue-producing properties are stated at the lower of cost, net of accumulated depreciation, and net recoverable amount. Net recoverable amount is calculated using the estimated non-discounted future cash flows of the properties and may differ from the net realizable values of the properties.

Depreciation on buildings is determined using the sinking-fund method whereby an increasing amount of depreciation, consisting of a fixed amount together with interest compounded at a rate of 5% per annum, is charged to income so as to fully amortize the buildings over their estimated useful lives of 40 years. Building improvements are amortized on a straight-line basis over their estimated useful lives ranging from 5 - 20 years.

Tenant inducements are amortized on a straight-line basis over the terms related to the leases.

(ii) Properties under development:

Properties under development are recorded at the lower of cost and estimated net realizable value. Cost includes all expenditures incurred in connection with the acquisition, development and construction of these properties.

(d) Capitalization of costs:

The Company capitalizes all direct costs relating to the acquisition of properties. For revenue-producing properties under development, leasing costs, operating costs, certain indirect costs and property taxes net of any related revenues are capitalized until attaining the earlier of a break-even point in cash flow after debt servicing or the expiration of a reasonable period of time following substantial completion, subject to the time limitation determined at the approval of the project.

(e) Cash and cash equivalents:

Cash and cash equivalents consists of cash in hand, cash held at banks and term deposits maturing within ninety days when acquired.

(f) Investments:

Investments where the Company exercises significant influence are accounted for using the equity method.

Other investments are recorded at cost, less a provision for permanent impairment in value, if necessary.

(g) Deferred costs:

Deferred property interests relate to the cost of acquiring disposition fee interests in properties from third parties. Deferred property interests are amortized to income in proportion to the recognition of income to which the interests relate.

Deferred financing costs are amortized on a straight-line basis over the terms of the related debt. Amortization of $742,114 (1999 - $1,199,828) is classified in interest expense.

Deferred charges relate to recoverable capital expenditures from tenants. Deferred charges are amortized on a straight-line basis over the expected period of recovery.

Deferred development costs relate to the acquisition, development, financing and marketing of a potential property under development (note 16(b)).

(h) Foreign currency translation:

Foreign operations are all of a self-sustaining nature. Assets and liabilities of foreign operations are translated at the exchange rates in effect at the balance sheet date and revenues and expenses are translated at average exchange rates for the year. Related foreign currency translation adjustments are recorded as a separate component of shareholders' equity until realized.

(i) Use of estimates:

Management of the Company has made a number of estimates and assumptions relating to the reporting of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with Canadian generally accepted accounting principles. Actual results could differ from these estimates.

The significant areas requiring management estimates include useful lives for depreciation and amortization and the impairment of revenue-producing properties.

(j) Revenue recognition:

The Company has retained substantially all of the risks and benefits of ownership of its rental properties and therefore accounts for leases with its tenants as operating leases. Rental revenue includes percentage participating rents and recoveries of operating expenses.

Income from the sale of properties under development is recorded when the collection of the sale proceeds is reasonably assured and all other significant conditions are met.

Property management fees and asset management fees are recorded monthly as earned.

Disposition fees are recognized on the closing date of sales.

(k) Per share:

Basic per share amounts are calculated based on the weighted average number of shares outstanding. Fully diluted per share amounts adjust for the dilutive effect of outstanding options and are as if exchanged for common shares at the beginning of the period or the date of issuance, whichever is later.

(l) Share option plans:

The Company's share option plans are described in note 10(d). No compensation expense is recognized when shares or share options are issued. Any consideration paid on exercise of options or purchase of shares is credited to share capital.

(m) Income taxes:

The Accounting Standards Board of the Canadian Institute of Chartered Accountants ("CICA") issued Section 3465 of the CICA Handbook, Income Taxes ("Section 3465"). Section 3465 requires a change from the deferral method of accounting for income taxes to the asset and liability method of accounting for income taxes. Under the asset and liability method of Section 3465, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under Section 3465, the effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Pursuant to the deferral method, which was applied in prior years, deferred income taxes were recognized for income and expense items that were reported in different years for financial reporting purposes and income tax purposes using the tax rate applicable for the year of the calculation. Under the deferral method, deferred taxes were not adjusted for subsequent changes in tax rates.

The Company adopted Section 3465 in its year ended December 31, 2000 and has calculated the effect of adopting the provisions retroactively to January 1, 2000. The cumulative effect of this change in accounting for income taxes of $1,307,284 is determined as of January 1, 2000 and is reported separately in the consolidated statement of retained earnings as a restatement of the opening balance of retained earnings for the year ended December 31, 2000. This charge represents the cumulative effect to January 1, 2000 of differences between accounting and tax basis of assets and liabilities principally due to differences arising from revenue-producing properties. The financial statements for the year ended December 31, 1999 have not been restated to reflect the provisions of Section 3465.

(n) Comparative figures:

Certain comparative figures for 1999 have been reclassified to conform with the presentation adopted in the current year.

3. REVENUE-PRODUCING PROPERTIES:

	2000	1999
Land	$ 59,459,807	$ 64,789,760
Buildings and improvements	159,780,091	198,195,179
Tenant inducements	5,413,073	2,453,389
	224,652,971	265,438,328
Less accumulated depreciation	(5,642,882)	(3,786,206)
	$ 219,010,089	$261,652,122

4. PROPERTIES UNDER DEVELOPMENT:

During the year, costs capitalized to properties under development included the following:

	2000	1999
Interest	$ 466,462	$ 592,172
Administrative	81,151	131,712
Property taxes	403,458	1,093,041
Net rental income	(565,963)	(599,561)
	$ 385,108	$ 1,217,364

These costs form an integral part of the cost of developing properties and are accordingly treated in the same manner as other development costs.

Properties under development at December 31, 1999 included a revenue-producing property under development. This property was transferred to revenue-producing properties on April 30, 2000.

Properties under development at December 31, 2000 includes a 50% ownership interest in 39 lots (1999 - 46 lots) costing $1,898,739 (1999 - $2,233,534) which was purchased from a partnership for which a subsidiary of the Company acts as the general partner.

5. AMOUNTS AND LOANS RECEIVABLE:

	2000	1999
Amounts receivable	$ 2,734,068	$ 1,887,424
Loans receivable	1,203,846	600,000
	$ 3,937,914	$ 2,487,424

Amounts receivable at December 31, 2000 includes $294,328 (1999 - $380,639) due from partnerships for which subsidiaries of the Company act as general partner and $69,828 (1999 - $62,432) due from companies related by virtue of directors in common.

6. OTHER ASSETS:

	2000	1999
Deferred development costs	$ 2,361,156	$ –
Prepaid expenses and deferred charges	1,135,114	876,052
Deferred financing costs	948,041	2,025,335
Funds held in escrow	835,943	1,762,684
Investments	556,211	55,427
Capital assets less accumulated amortization of $380,854 (1999 - $257,947)	346,874	417,701
Deferred property interests	226,149	398,845
	$ 6,409,488	$ 5,536,044

Investments include $56,211 (1999 - $55,427) relating to a 100% ownership in various general partners, which entitle the general partners to a 20% to 30% carried interest in the profits of the partnership, subject to a 12% to 20% preferred return to the limited partners.

7. DEBT ON REAL ESTATE ASSETS:

Debt By Category:

	2000	1999
Mortgages payable on revenue-producing properties	$ 145,388,272	$ 186,331,003
Term debt or construction financing on properties under development	2,749,827	9,734,238
	$ 148,138,099	$ 196,065,241

Debt By Interest Obligation:

	2000	1999
Fixed rate at a weighted average year end interest rate of 7.74% (1999 - 7.53%)	$ 112,385,547	$ 163,274,331
Floating rate at a weighted average year end interest rate of 9.39% (1999 - 8.57%)	35,752,552	32,790,910
	$ 148,138,099	$ 196,065,241

All mortgages payable are secured by the revenue-producing properties.

Mortgages payable at December 31, 2000 include mortgages in the amount of $38,865,241 (1999 - $83,589,776) which are denominated in United States dollars of US $25,918,800 (1999 - US $57,747,686).

Construction financing includes several construction loans bearing interest variable with the U.S. prime lending rate and are secured by the Company's residential properties under development. The construction loans include the amount of $2,749,827 (1999 - $3,290,703) which are denominated in United States dollars of US $1,833,829 (1999 - US $2,273,370).

Term debt in 1999 consisted of a credit facility bearing interest at prime plus 1% on the Company's revenue-producing property under development which was secured by such property.

After giving effect to the subsequent transactions described in note 16, scheduled minimum principal repayments of debt on real estate assets over the next five years are as follows:

2001	$ 58,807,480
2002	53,647,232
2003	12,493,898
2004	17,152,263
2005	981,122

8. AMOUNTS PAYABLE:

Amounts payable at December 31, 2000 include $153,964 (1999 - $153,964) due to companies related by virtue of directors in common.

9. LOANS AND DEBENTURES PAYABLE:

	2000	1999
Loans payable	$ 12,060,470	$ 14,844,420
Debentures payable	10,644,810	10,644,810
	$ 22,705,280	$ 25,489,230

The loans payable include:

(a) A loan of $4,408,000 (1999 - $4,408,000), which bears interest at 12.5% per annum, due to a company related by virtue of directors in common. The loan is due August 31, 2001.

(b) A non-revolving bank loan of $5,550,000 (1999 - $9,553,950), which is secured by a general security agreement, certain mortgages and an assignment of the sales proceeds of certain revenue producing properties. The loan bears interest at 12% per annum and is due June 21, 2001.

(c) 882,470 series 1 preferred shares in the amount of $882,470 (1999 - $882,470), which entitle the holders to an annual cumulative cash dividend of $0.06 per share. After October 1, 2002, the holders are entitled to require the Company to pay the full redemption price being $1 per share, together with all accrued and unpaid dividends whether or not declared.

(d) A demand operating line of $1,220,000 (1999 - $nil) which bears interest at prime plus 1.5%.

The debentures payable, which are unsecured and subordinated to all senior indebtedness of the Company, have terms of three to four years with principal repayments commencing on June 30, 2001. The debentures bear interest at 9% per annum and interest payments are made quarterly.

10. SHAREHOLDERS' EQUITY:

	2000	1999
Share capital	$ 30,159,617	$ 48,393,426
Contributed surplus	11,958,765	6,676,924
	42,118,382	55,070,350
Foreign currency translation adjustment	685,026	166,464
Retained earnings	16,285,870	6,291,026
	$ 59,089,278	$ 61,527,840

SHARE CAPITAL:

(a) Authorized:

250,000,000 common shares, without par value

250,000,000 preferred shares, with a par value of $1 (note 9)

(b) Issued and outstanding common shares:

	Number of shares	Amount
Balance, December 31, 1998	9,000,000	$ 68,324,878
Purchased and cancelled	(i) (2,677,557)	(19,931,452)
Balance, December 31, 1999	6,322,443	48,393,426
Tax benefit of share issue costs(ii)	–	1,158,000
Purchased and cancelled	(iii)(2,474,270)	(19,391,809)
Balance, December 31, 2000	3,848,173	$ 30,159,617

(i) On February 12, 1999, under a normal course issuer bid, the Company announced its intention to purchase for cancellation up to 450,000 common shares. To December 31, 1999, the Company purchased 352,400 common shares at an average price of $4.78 per share.

On April 28, 1999, under a substantial issuer bid, the Company announced its intention to purchase for cancellation up to 2,500,000 common shares at $5.00 per share. Under this program, the Company purchased 2,325,157 common shares.

After the consideration of transaction costs, the Company recorded $19,931,452 as a reduction of share capital and $6,676,924 as contributed surplus.

(ii) The tax benefit of share issue costs represents the cumulative impact on share capital at January 1, 2000 of the change in accounting for income taxes described in note 2(m).

(iii) On January 17, 2000, under a substantial issuer bid, the Company announced its intention to purchase for cancellation up to 2,750,000 common shares at $5.65 per share. Under this program, the Company purchased 2,310,770 common shares.

On March 10, 2000, under a normal course issuer bid, the Company announced its intention to purchase for cancellation up to 200,583 common shares. To December 31, 2000, the Company purchased 163,500 common shares at an average price of $5.15 per share.

After the consideration of transaction costs, the Company recorded $19,391,809 as a reduction of share capital and $5,281,841 as contributed surplus.

(c) Per share information:

Earnings and funds from operations per share have been calculated using the weighted average number of common shares outstanding during the year of 4,218,095 (1999 - 7,415,615).

(d) Stock options:

As at December 31, 2000, the Company has a share option plan outstanding providing for the issuance of up to 900,000 options. The plan provides that options have a maximum term of eight years and are exercisable at a price not less than fair market value of the shares at the time of grant.

The following table summarizes the status of the share option plan:

	2000 share options outstanding	Weighted average price	1999 share options outstanding	Weighted average price
Outstanding January 1	603,000	$ 9.00	672,000	$ 9.00
Forfeited	(22,000)	9.00	(69,000)	9.00
Outstanding December 31	581,000	$ 9.00	603,000	$ 9.00
Exercisable December 31	403,250		269,000	

The weighted average remaining life of the 581,000 options outstanding at December 31, 2000 was 5 years.

11. INCOME TAXES:

	2000	1999
Provision for income taxes:		
Current	$ 6,581,276	$ 2,063,597
Deferred	–	1,298,550
Future	816,483	–
	$ 7,397,759	$ 3,362,147

Income tax expense differs from the amounts computed by applying the weighted average U.S. and Canadian statutory rate of tax of 41.1% (1999 - 41.97%) to income before income taxes as a result of the following:

	2000	1999
Income before income taxes	$ 16,085,319	$ 7,930,881
Tax expense at statutory rate	$ 6,611,066	$ 3,328,591
Increase (reduction) in income taxes resulting from:		
Federal large corporations tax	316,276	349,568
Permanent differences and other reconciling items	470,417	(316,012)
Income tax expense	$ 7,397,759	$ 3,362,147

The tax effects of temporary differences that give rise to significant portions of future tax assets and future tax liabilities at December 31, 2000 are presented below:

Future tax assets:	
Non-capital loss carry forwards	$ 3,775,199
Deductible equity issue costs	714,909
Deferred financing costs	500,936
Investments	251,865
Other	558,814
Total gross future tax assets	5,801,723
Future tax liabilities:	
Income-producing properties	6,211,301
Other	328,139
Total gross future tax liabilities	6,539,440
Net future tax liabilities	$ (737,717)

12. FINANCIAL INSTRUMENTS:

(a) Fair value:

The Company has the following financial instruments: amounts receivable, loans receivable, amounts payable, loans payable, debentures payable, mortgages payable, construction financing, disposition fee agreements and general partner interests in various limited partnerships. The carrying values of amounts receivable, amounts payable, and construction financing approximate their fair values due to their short term nature. Loans receivable, loans payable, debentures payable and mortgages payable of a longer term nature are impacted by changes in market yields which can result in differences between the carrying value and the market value of such instruments. Due to the nature of the disposition fee agreements and the general partner interests in the various limited partnerships, the absence of a readily available secondary market for such financial instruments and the costs associated with obtaining an outside appraisal, the Company does not believe it is practicable to determine their fair value with sufficient reliability.

(b) Interest rate risk:

The terms of the Company's outstanding debt on real estate assets, loans and debentures repayable are described in notes 7 and 9. As certain of the Company's debt instruments bear interest at floating rates, fluctuations in these rates will impact the cost of financing incurred in the future.

(c) Credit risk:

Due to the nature of the Company's operations, it does not face any significant credit risk and there are no material concentrations of credit risk.

13. COMMITMENTS:

The estimated costs to complete the committed properties under development are $3,139,000. The Company has arranged development financing to fund these expenditures. As at December 31, 2000, the Company's unused financing related to properties under development aggregated $2,832,000 (1999 - $2,680,000).

14. CREDIT FACILITIES:

As at December 31, 2000, the Company had an unused demand operating line totalling $780,000 (1999 - $1,000,000). This demand operating line bears interest at prime plus 1.5% per annum.

15. SUPPLEMENTARY CASH FLOW INFORMATION:

The change in non-cash operating working capital balances consists of the following:

	2000	1999
Amounts receivable	$ (846,644)	$ 1,090,605
Other assets	171,912	295,869
Prepaid expenses	(259,062)	(291,340)
Amounts payable	(4,912,786)	381,489
	$ (5,846,580)	$ 1,476,623

Other supplemental information:

	2000	1999
Other supplemental information:		
Interest paid	$ 15,767,380	$ 16,032,569
Taxes paid	7,514,481	2,787,025
Non-cash investing and financing activities:		
Mortgages assumed by purchaser on sale of revenue producing properties	40,227,248	5,911,403
Mortgages assumed by the Company on acquisition of revenue producing properties	–	11,289,030
Preferred shares issued by the Company on acquisition of revenue-producing property	–	882,470

16. SUBSEQUENT EVENTS:

(a) Subsequent to December 31, 2000, the Company sold two revenue-producing properties located in Ontario and Arizona. The net proceeds received by the Company, after providing for the assumption of existing mortgages in the amount of $5,036,100 by the purchaser, sales commissions, and other closing costs were $3,541,244 resulting in a gain of approximately $423,750.

(b) In January 2001, the Company acquired an interest in two development properties located in British Columbia. The total purchase price of the assets was $19,050,000, which was financed by a combination of bank and other indebtedness of $18,462,764 and the balance in cash.

(c) Subsequent to December 31, 2000, the Company repaid $4,916,170 of the non-revolving bank loan described in note 9(b).

17. SEGMENT DISCLOSURES:

	Canada		U.S.		Total	
	2000	1999	2000	1999	2000	1999
Assets						
Properties and other real estate investments						
Office	$ 65,009,703	$ 50,808,008	$ 34,292,650	$ 33,789,013	$ 99,302,353	$ 84,597,021
Retail	91,244,148	91,722,268	–	–	91,244,148	91,722,268
Multi-family	–	–	23,039,227	79,908,471	23,039,227	79,908,471
Other	5,424,362	17,767,750	4,209,505	4,873,928	9,633,867	22,641,678
	$ 161,678,213	$ 160,298,026	$ 61,541,382	$ 118,571,412	$ 223,219,595	$ 278,869,438
Unallocated corporate assets					22,056,926	16,176,463
					$ 245,276,521	$ 295,045,901
Capital expenditures for segment assets:						
Office	$ 1,637,447	$ 733,029	$ 1,930,799	$ 1,137,292	$ 3,568,246	$ 1,870,321
Retail	506,475	13,836,137	–	–	509,475	13,836,137
Multi-family	–	–	414,146	1,116,690	414,146	1,116,690
Other	1,007,058	2,336,445	9,158,989	9,196,201	10,166,047	11,532,646
	$ 3,150,980	$ 16,905,611	$ 11,503,934	$ 11,450,183	$ 14,654,914	$ 28,355,794
INCOME FROM OPERATIONS						
A. Rental Income						
Office						
Revenue	$ 9,395,723	$ 6,925,329	$ 6,156,381	$ 6,203,656	$ 15,552,104	$ 13,128,985
Property operating costs and taxes	3,685,962	1,929,857	3,584,939	3,575,952	7,270,901	5,505,809
Interest	2,674,902	2,311,827	2,230,793	1,958,611	4,905,695	4,270,438
Depreciation	808,655	515,045	642,622	479,839	1,451,277	994,884
	7,169,519	2,168,600	6,458,354	189,254	13,627,873	2,357,854
Retail						
Revenue	14,584,331	12,698,517	–	–	14,584,331	12,698,517
Property operating costs and taxes	4,976,069	4,225,154	–	–	4,976,069	4,225,154
Interest	5,428,017	4,474,726	–	–	5,428,017	4,474,726
Depreciation	921,367	799,681	–	–	921,367	799,681
	11,325,453	3,198,956	–	–	11,325,453	3,198,956

17. SEGMENT DISCLOSURES (CONT'D):

	Canada		U.S.		Total	
	2000	1999	2000	1999	2000	1999
Multi-family						
Revenue	$ –	$ –	$ 5,377,164	$ 15,278,932	$ 5,377,164	$ 15,278,932
Property operating costs and taxes	–	–	2,691,479	6,163,822	2,691,479	6,163,822
Interest	–	–	1,666,840	4,724,137	1,666,840	4,724,137
Depreciation	–	–	271,927	918,710	271,927	918,710
	–	–	4,630,246	3,472,263	4,630,246	3,472,263
Other						
Revenue	516,000	511,585	–	–	516,000	511,585
Property operating costs and taxes	74,621	47,432	–	–	74,621	47,432
Interest	252,759	249,521	–	–	252,759	249,521
Depreciation	–	13,658	–	–	–	13,658
	327,380	200,974	–	–	327,380	200,974
Total rental income	5,673,702	5,568,530	444,945	3,661,517	6,118,647	9,230,047
A. Development income, net	–	–	1,322,810	1,290,935	1,322,810	1,290,935
C. Property and asset management fees						
Revenue	646,462	563,407	2,215,586	2,609,933	2,862,048	3,173,340
Expenses	438,918	389,885	1,504,282	1,806,105	1,943,200	2,195,990
	207,544	173,522	711,304	803,828	918,848	977,350
D. Unallocated amounts						
Revenue					2,655,598	1,454,005
Expenses					(6,405,558)	(6,216,134)
					(3,749,960)	(4,762,129)
Income from operations					$ 4,610,345	$ 6,736,203
Other income					11,474,974	1,194,678
Income before income taxes					$ 16,085,319	$ 7,930,881

18. RELATED PARTY TRANSACTIONS:

The Company had the following transactions with related parties:

	2000	1999
Fees and other income:		
Property and asset management fees:		
Earned from partnerships for which subsidiaries of the Company act as general partner	$ 2,330,826	$ 2,615,435
Earned from companies related by virtue of directors in common	484,566	517,921
	$ 2,815,392	$ 3,133,356
Interest and other:		
Earned from partnerships for which subsidiaries of the Company act as general partner	$ 1,723,262	$ 1,146,462
Operating expenses:		
Interest:		
Due to companies related by virtue of directors in common	$ 551,000	$ 551,000

BOARD OF DIRECTORS

Stephen Bellringer
Director

Eric Carlson
Chairman

John Croce
Director

Terry Holland
Director

Morley Koffman, Q.C.
Director

OFFICERS

Michael Bishop
Vice President Asset Management,
Anterra Retail Properties Ltd.

Eric Carlson
President and Chief Executive Officer

Garry Fawley
Vice President Development,
Anterra Retail Properties Ltd.

David Ferguson
Chief Financial Officer and
Vice President, Office

Robert Landucci
President, Anthem Industrial Ltd.

David MacLeod
Vice President, Finance and
Corporate Secretary

Brent Sawchyn
Vice President and Chief Operating Officer,
Anterra Retail Properties Ltd.

R.G. (Bob) Tattle
Vice President Leasing,
Anterra Retail Properties Ltd.

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The Toronto Stock Exchange

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ANTHEM'S THREE PILLARS

MANAGEMENT
Experienced, high energy, technically skilled, entrepreneurial management team financially committed to the success of the Company or its subsidiaries through share ownership.

REAL ESTATE
Carefully selected high yielding or opportunistic properties located in fundamentally strong and growing markets.

FINANCIAL STRUCTURE
A TSE listed company with a strong financial base and access to multiple sources of capital.

(TSE: ANT)

ANTHEM
PROPERTIES